



May 15, 2020

Jennifer Piorko Mitchell  
Financial Industry Regulatory Authority Office of the Corporate Secretary  
1735 K Street, NW, Washington, DC 20006-1506

**Re: Proposed Amendments to the Capital Acquisition Broker (CAB) Rules**

Dear Ms. Mitchell,

Thank you for the opportunity to comment on the proposed rule amendments., and we appreciate your consideration. My firm, Metric Point Capital, LLC, is a FINRA member firm that conducts CAB-like activities, with a specific focus on acting as a placement agent for private securities transactions and marketing only to institutional investors. Metric Point does not hold customer accounts or funds or solicit or provide services to retail customers.

We originally planned to register as a CAB, but ultimately decided against this due primarily to the inability to act as a placement agent for secondary transactions. Based on the currently proposed amendments and specifically the narrow scope of permitted secondary transactions, we would still not register as a CAB.

**1. Are there other categories of activities that FINRA should consider incorporating into the CAB definition without reducing investor protections?**

The ability to act as a placement agent for secondary transactions involving issuers for which a CAB has not previously acted as a placement agent, and the ability to advise on the sale of minority interests of under 25% in an M&A transaction. In both lower-risk situations, the buyer is a sophisticated institutional investor and there should be no reduction in investor protections.

**2. Are there unforeseen risks associated with allowing CABs to register as investment advisers that FINRA should consider? Are there unforeseen risks associated with allowing CABs to act as placement agents in certain secondary transactions involving unregistered securities?**

FINRA's proposal to allow CABs to act as a placement agent in secondary transactions in unregistered securities is one that we support. That said, we believe that limiting such activities to issuers for which a CAB or broker dealer has previously acted as a placement agent will not encourage adoption of CAB registration. So long as the purchaser of the securities in a secondary transaction is an institutional investor there should be no additional risk. It is unclear why a CAB would be able to act as a placement agent in the sale of newly issued, unregistered securities to institutional investors for an issuer it has not previously worked with, but not secondary transactions. It is arguably easier for CABs/broker dealers and institutional investors to perform due diligence on a secondary transaction where an asset(s) is known, compared to issuing new unregistered securities for a blind pool vehicle. Furthermore, institutional investors typically sell multiple fund interests involving several issuers at a time when transacting on the secondary market. Thus, the proposed changes as currently structured would prohibit CABs from pursuing these transactions as selling institutions prefer to use a single advisor.



We respectfully encourage FINRA to consider allowing CABs to act as placement agents for secondary transactions without the requirement of having previously acted as placement agent for an issuer.

**3. Do the proposed amendments represent a reasonable incentive for eligible firms to elect CAB status?**

Expanding the scope of a CAB's permitted activities to include M&A, secondary transactions and investment advisory activities is a step in the right direction; however, Metric Point, and we believe most similar firms would still decline to elect CAB status due to the limitations of the proposal. For example, the ability to act as placement agent only in secondary transactions involving issuers for whom we have previously acted as a placement agent would eliminate 99%+ of the potential market and not justify the election of CAB status.

**4. Do the proposed amendments reasonably maintain strong investor protections?**

I do not support the adoption and inclusion of CAB Rule 321 as part of the CAB framework, which I do not think is justified based on the nature of activities that CABs may participate in. In my opinion a comprehensive insider trading policy and education of RRs on the topic would alleviate the possibility of insider trading. This would seem to be a risk more acutely faced by firms trading and offering equity securities. Each month I spend a considerable amount of time reviewing brokerage statements despite the fact that our CAB-like activities center on the sale of unregistered securities, and we do not trade or offer public equity securities.

I understand and respect FINRA's concern that eliminating the CE requirement could hinder CAB registered persons' future employment opportunities with non-CAB firms and reduce investor protections, but I respectfully submit that if a RR at a CAB or CAB-like firm takes CE courses geared toward relevant activities for a CAB or CAB-like firm, then he/she would arguably still be at a disadvantage when seeking employment at a member firm engaged in a broader or entirely different set of activities. Irrespective of the CE courses taken, a CAB RR will require additional training if he/she is seeking employment at a retail-focused broker dealer, and I find it highly unlikely that an employer would decline a candidate because they had not taken a CE course. Furthermore, the fact that CABs are only permitted to solicit sophisticated institutional investors should also mitigate, if not eliminate the concern regarding reduced investor protections.

**5. Are there any expected economic impacts associated with the proposal not discussed in this Notice? What are they and what are the estimates of those impacts?**

Broader adoption of CAB registration would ultimately reduce the cost and regulatory burdens imposed on (typically small) firms that engage in limited placement and advisory activities, and perhaps more importantly allow FINRA to channel its resources toward the regulation of broker dealers engaged in riskier, often retail-focused activities such as accepting customers' trading orders, carrying customer accounts, handling customers' funds or securities, and so forth.



METRIC POINT CAPITAL

Thank you for your ongoing efforts to improve the CAB framework. I believe that broader adoption of CAB status by CAB-like firms will be determined by the degree to which a broader set of lower risk M&A and advisory activities involving institutional investors are included. Please do not hesitate to contact me with any questions.

Best regards,

Brendan Edmonds  
Partner & Chief Compliance Officer  
Metric Point Capital, LLC